

# AR SCIENCE AND TECHNOLOGY AUTHORITY

## **Enabling Laws**

Act 299 of 2003  
Act 1291 of 2003  
Act 952 of 2003  
A.C.A. §15-3-100 - A.C.A. §15-3-208

## **History and Organization**

The Arkansas Science & Technology Authority is comprised of a Board of Directors and its staff. The 14-member Board is appointed by the Governor to staggered four-year terms. The Board has a 12-person staff, which includes ten professional and two clerical positions. The Board has three additional federally-funded positions.

The Board makes all decisions concerning the allocation of monies to projects funded under the Authority's programs, except the Technology Transfer Assistance Grants Program where the Board approves funding to the program and the President approves individual project funding. Recommendations are made to the Board by three standing committees comprised exclusively of members of the Board. The committees deal respectively with technology development, manufacturing extension, and scientific research. The Board's Executive Committee deals with administrative issues.

All staff positions are organized in the Authority's Management Services Program. Staff activities are divided into three programmatic areas that parallel the programs in the Authority's Strategic Plan. The Research and Commercialization Program supports the creation of new products and companies. The Technology and Extension Program supports transfer of technology and know-how to existing manufacturing and knowledge-based firms. The Management Services Program supports the activities of the Science & Technology Authority.

The *Assistant Director of Finance*, assisted by the *Finance Program Manager* is responsible for managing Seed Capital Investments, Technology Development, Technology Transfer Assistance Grants, and SBIR Assistance. These activities are overseen by the Board's Investment Committee. The Assistant Director and Program Manager also provide technical assistance to Arkansas Manufacturing Solutions, a state-federal partnership under the federal Manufacturing Extension Partnership and the Research and Development Tax Credit activities under the Consolidated Incentive Act. In 2002, the Assistant Director played a central role in helping to organize the first Arkansas Venture Capital Forum.

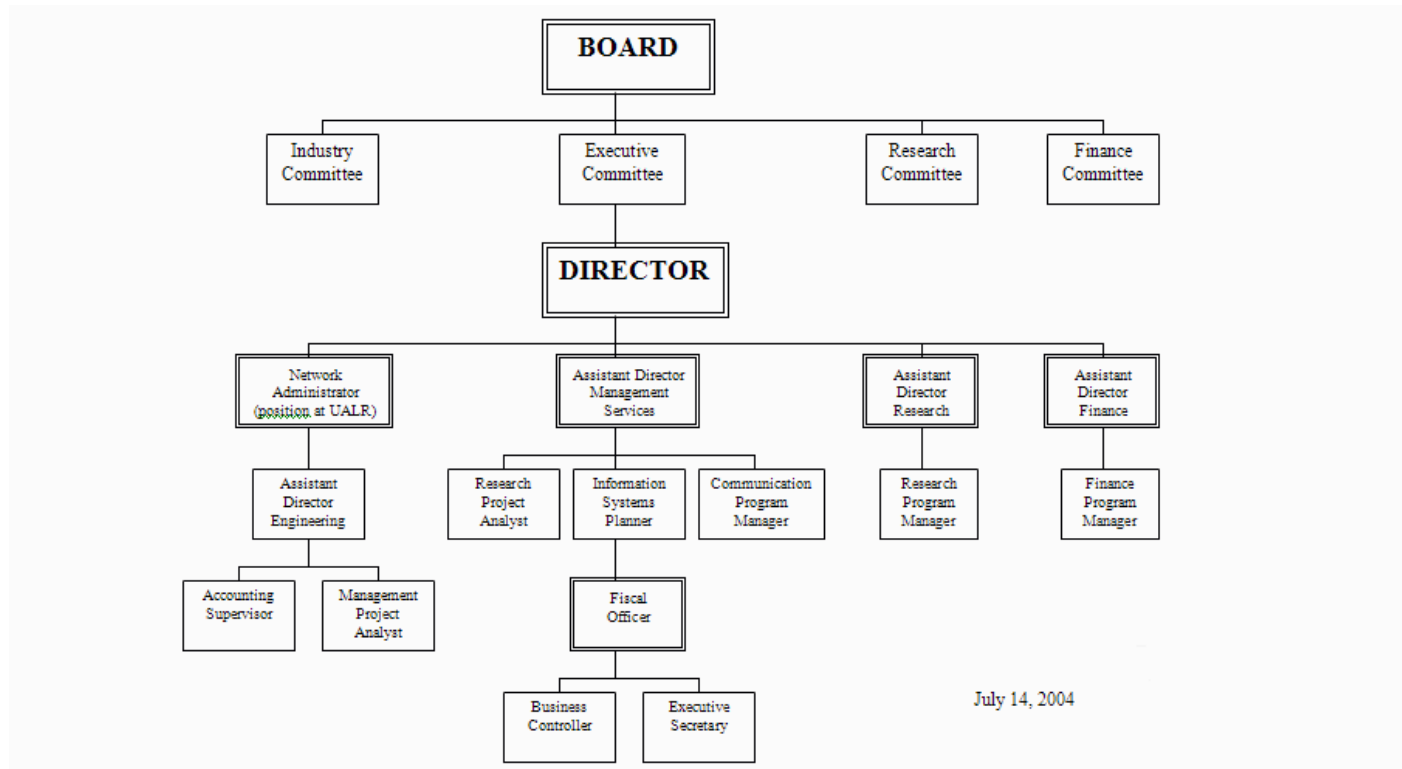
The *Assistant Director of Research* manages all research activities of the Authority, including Basic and Applied Research Grants, Centers for Applied Technology, support for the Experimental Program to Stimulate Competitive Research (EPSCoR), and the Arkansas Research Matching Fund. The Assistant Director of Research also monitors the Research and Development Tax Credits requested by private enterprises which match applied research grants with cash or new equipment. The *Research*

*Program Manager* assists the Assistant Director in these activities. Research activities are overseen by the Board's Research Committee.

Arkansas Manufacturing Solutions, a cooperative agreement between the National Institute of Standards and Technology and the Authority, is headed by the *Science & Technology Authority Network Administrator*, whose position is administratively at UALR, but housed at the Authority. The Network Administrator is responsible for the three federally funded positions: the *Science & Technology Authority Assistant Director for Engineering*, *Management Project Analyst* and the *Accounting Supervisor*. They are responsible for the management and administration of the Cooperative Agreement. The activities are overseen by the Board's Industry Committee.

The *Assistant Director of Management Services* is responsible for the day-to-day operations of the Authority. The *Research Project Analyst* is responsible for the Authority's database and the *Information Systems Planner* is responsible for the Authority's local area network and information technology. Fiscal activities are managed by the *Fiscal Officer*, who also manages the two-person office support staff. The *Communications Program Manager* is responsible for all external communications and public information activities for the Authority. Management services are overseen by the Board's Executive Committee.

The *Executive Director* is the chief executive officer and has overall responsibility for the Authority's programs and staff activities. The Executive Director is selected by the Board and serves at the pleasure of the Governor.



## **Agency Commentary**

The Arkansas Science & Technology Authority's program commentary is derived from the Authority's "Agency Strategic Plan For The Fiscal Years 2005 - 2009."

The Science & Technology Authority's agency goal is: "To plan, promote, influence, and support with high quality programs and services the commercialization of research innovations thereby helping to grow the Arkansas economy and increase per capita income." The agency goal is accomplished through three major program areas each having attendant goals, objectives, strategies, and performance measures. The programs are the (1) Research and Commercialization Program, (2) Technology and Manufacturing Extension Program, and (3) Management Services Program.

The Authority also, from time to time and within its programmatic and statutory authority, (1) undertakes special demonstration projects, (2) maintains liaison on matters on science and technology with the state legislature, and (3) supports math and science education.

*THE RESEARCH AND COMMERCIALIZATION PROGRAM* supports strategic state investments, including R&D tax credits, in college and university research and science, technology, engineering and mathematics educational activities, development of new products, and the commercialization of new technology.

These are essential investments in economic development that focus and accelerate the flow of ideas from laboratories, to the marketplace, along a well-understood pathway (see figure below). The relatively small, but absolutely necessary, investment by the state in research and commercialization provides focus on economic opportunities, overcomes barriers and unevenness along the pathway to commercialization, and supports economic development activities for which there are usually no statewide resources.

The research and development focus for the next two years is spelled out in the Authority's 2002 Research and Development Plan, which emphasizes R&D areas important to Arkansas' economy and includes: Advanced Materials and Manufacturing Systems; Agriculture, Food and Environment Sciences; Biotechnology, Bioengineering, and Life Sciences; Information Technology; and Human Resource Development.

GOAL 1: To increase research activities in Arkansas.

OBJECTIVE 1: To increase externally funded research activities

These investments have real financial returns to the state. For example, experience to date shows clearly that, for each \$1 invested in new faculty research by the Authority, over \$7.80 in follow-on funds are awarded to the faculty over a five-year period by other sources and returns 44 cents to the state treasury in sales and income taxes on the awards.

Winthrop Rockefeller Foundation Grant to the Authority

Two years ago, the Authority received a grant from the Winthrop Rockefeller Foundation for an "Innovative Middle School Science Teaching" project. Under this award, the Authority annually

awarded \$135,000 to middle school science teachers in the form of hands-on-teaching mini-grants and classroom technology grants. This year, the Foundation awarded a second grant to the Authority to plan and support the transition the Authority's science teaching project to the Arkansas Community Foundation, to which the Foundation has provided an endowment to continue the project on an ongoing basis. The Winthrop Rockefeller Foundation also provided support for a 31-month "Pilot Project for Entrepreneurship in Arkansas" to explore the public policy implications in the Foundation-supported report, *Entrepreneurial Arkansas: Connecting the Dots*.

GOAL 2: To develop new products and firms.

OBJECTIVE 1: To increase knowledge workers jobs through entrepreneurship and new company formation.

The Authority requests \$401,796 in FY06 and \$381,473 in FY07 for the Winthrop Rockefeller Foundation grants. The Authority also requests \$1,500,000 of unfunded appropriation for Grants and Aid.

*THE TECHNOLOGY AND MANUFACTURING EXTENSION PROGRAM* plans strategic state investments in, evaluates proposals and applications for, and supports manufacturing extension, technology transfer, and applied research activities.

These activities deliver technology and know-how to existing firms and constitute critical investments in economic development that focus on making Arkansas firms world-class competitors. These activities underscore the changing global economy and the need for Arkansas toward knowledge-based production and away from low-wage, low skill industries.

The Authority's Arkansas Manufacturing Solutions (AMS) carries out its activities through formal relationships with the federal partner, the National Institute of Standards and Technology, and with six partners in the state: Arkansas State University Delta Center for Economic Development; Southern Arkansas University Tech (SAU Tech); University of Arkansas, Fayetteville (UAF); University of Arkansas at Little Rock (UALR); Arkansas Department of Economic Development (ADED); and Arkansas Institute for Performance Excellence (AIPE).

These activities have real financial returns to the state. For example, a third-party analysis of 26 technology transfer projects shows that, for each \$1 invested in technology transfer by the Authority, \$13.97 in follow-on increased sales results and returns an estimated 51 cents to the state treasury in income taxes for the jobs created or retained.

GOAL 1: To maintain and transform existing enterprises into knowledge-based companies and increase their global competitiveness.

OBJECTIVE 1: To increase technology and training in existing Arkansas companies.

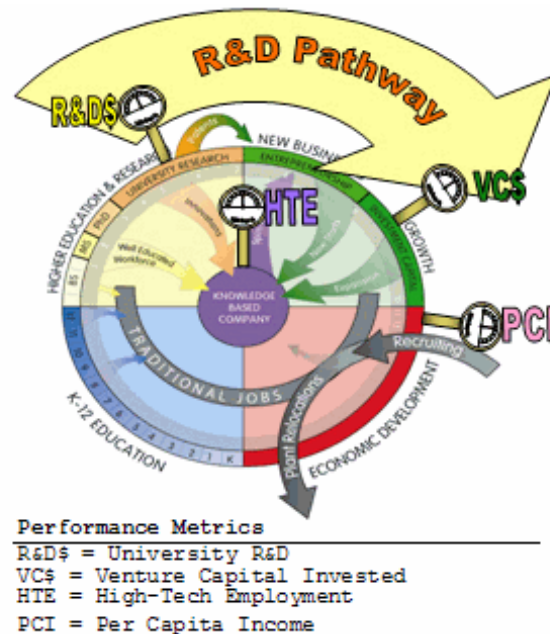
The Authority requests Base Level.

*THE MANAGEMENT SERVICES PROGRAM* establishes the quality framework for governance of the Authority and administration of its programs and services.

GOAL 1: To become a more effective and efficient organization through the application of quality management.

OBJECTIVE 1: To administer programs more effectively and efficiently.

The Authority requests an increase of \$189,585 for the Manufacturing Extension Network. This will be funded federally.



## Audit Findings

DIVISION OF LEGISLATIVE AUDIT  
AUDIT OF :  
ARKANSAS SCIENCE AND TECHNOLOGY AUTHORITY  
FOR THE YEAR ENDED JUNE 30, 2002

Findings	Recommendations
None	None

## **Employment Summary**

	Male	Female	Total	%
White Employees	8	2	10	77 %
Black Employees	0	1	1	8 %
Other Racial Minorities	0	2	2	15 %
Total Minorities			3	23 %
Total Employees			13	100 %

## **Cash Fund Balance Description as of June 30, 2004**

Fund Account	Balance	Type	Location
3380100	\$1,102,881	Money Market	One Banc, Little Rock

Statutory/Other Restrictions on use:

A.C.A. §15-3-120 - §15-3-122

Statutory Provisions for Fees, Fines, Penalties:

The Authority assesses a maximum late fee of 5% for late payments on loan investments. The Board of Directors reviews each proposal and determines the appropriate late fee rate.

Revenue Receipts Cycle:

Late fees are assessed to the client as accrued. Late fees are paid when clients submit their monthly payment. Revenue generated from interest and investment income are collected monthly.

Fund Balance Utilization:

A.C.A. 15-3-121. The Authority retains the balances to invest in appropriate technologies in a timely manner. It achieves this goal through its revolving loan fund known as the Seed Capital Investment Program

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Fund Account	Balance	Type	Location
3380100	\$95,000	Certificate of Deposit	Bank of Paragould

Statutory/Other Restrictions on use:

A.C.A. §15-3-120 - §15-3-122

Statutory Provisions for Fees, Fines, Penalties:

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Fund Account	Balance	Type	Location
3380100	\$95,000	Certificate of Deposit	Bank of Rogers

#### Statutory/Other Restrictions on use:

A.C.A. §15-3-120 - §15-3-122

#### Statutory Provisions for Fees, Fines, Penalties:

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Fund Account	Balance	Type	Location
3380100	\$95,000	Certificate of Deposit	Bancorp South, El Dorado

#### Statutory/Other Restrictions on use:

A.C.A. §15-3-120 - §15-3-122

#### Statutory Provisions for Fees, Fines, Penalties:

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#### Fund Balance Utilization:

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Fund Account	Balance	Type	Location
3380100	\$95,000	Certificate of Deposit	Bank of Lake Village

Statutory/Other Restrictions on use:

A.C.A. §15-3-120 - §15-3-122

Statutory Provisions for Fees, Fines, Penalties:

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Revenue Receipts Cycle:

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Fund Balance Utilization:

A.C.A §15-3-121. The Authority retains the balances to invest in appropriate technologies in a timely manner. It achieves this goal through its revolving loan fund known as the Seed Capital Investment Program.

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Fund Account	Balance	Type	Location
3380100	\$95,000	Certificate of Deposit	Bank of Mulberry

Statutory/Other Restrictions on use:

A.C.A. §15-3-120 - §15-3-122

Statutory Provisions for Fees, Fines, Penalties:

The Authority assesses a maximum late fee of 5% for late payments on loan investments. The Board of Directors reviews each proposal and determines the appropriate late fee rate.

Revenue Receipts Cycle:

Late fees are assessed to the client as accrued. Late fees are paid when clients submit their monthly payment. Revenue generated from interest and investment income are collected monthly.

Fund Balance Utilization:

A.C.A §15-3-121. The Authority retains the balances to invest in appropriate technologies in a timely manner. It achieves this goal through its revolving loan fund known as the Seed Capital Investment Program.

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Fund Account	Balance	Type	Location
3380100	\$95,000	Certificate of Deposit	Commercial B&T, Monticello

Statutory/Other Restrictions on use:

A.C.A. §15-3-120 - §15-3-122

Statutory Provisions for Fees, Fines, Penalties:

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Revenue Receipts Cycle:

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#### Fund Balance Utilization:

A.C.A §15-3-121. The Authority retains the balances to invest in appropriate technologies in a timely manner. It achieves this goal through its revolving loan fund known as the Seed Capital Investment Program.

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Fund Account	Balance	Type	Location
3380100	\$95,000	Certificate of Deposit	First State Bank, Conway

#### Statutory/Other Restrictions on use:

A.C.A. §15-3-120 - §15-3-122

#### Statutory Provisions for Fees, Fines, Penalties:

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#### Revenue Receipts Cycle:

Late fees are assessed to the client as accrued. Late fees are paid when clients submit their monthly payment. Revenue generated from interest and investment income are collected monthly.

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A.C.A §15-3-121. The Authority retains the balances to invest in appropriate technologies in a timely manner. It achieves this goal through its revolving loan fund known as the Seed Capital Investment Program.

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Fund Account	Balance	Type	Location
3380100	\$95,000	Certificate of Deposit	First State Bank of Crossett

#### Statutory/Other Restrictions on use:

A.C.A. §15-3-120 - §15-3-122

#### Statutory Provisions for Fees, Fines, Penalties:

The Authority assesses a maximum late fee of 5% for late payments on loan investments. The Board of Directors reviews each proposal and determines the appropriate late fee rate.

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## **Publications**

### **A.C.A 25-1-204**

<b>Name</b>	<b>Statutory Authorization</b>	<b>Required for</b>		<b># Of Copies</b>	<b>Reason (s) for Continued Publication and Distribution</b>
		<b>Governor</b>	<b>General Assembly</b>		
Annual Report	ACA 15-3-123	Y	Y	4	Detail operations and transactions conducted in previous fiscal year. Posted on website; printed by request only.
ARMF Biennial Report	ACA 15-3-206	Y	Y	1	Report investments from the Arkansas Research Matching Fund. Posted on website; printed by request only.

## Department Appropriation / Program Summary

Historical Data							Agency Request and Executive Recommendation							
Appropriation / Program	2003-2004		2004-2005		2004-2005		2005-2006				2006-2007			
	Actual	Pos	Budget	Pos	Authorized	Pos	Agency	Pos	Executive	Pos	Agency	Pos	Executive	Pos
0327P01 Management Services	1,029,613	15	2,433,819	15	2,412,693	15	2,650,726	15	2,625,575	15	2,673,113	15	2,647,962	15
0327P02 Research/Commercialization	381,838	0	2,568,824	0	2,187,351	0	4,091,148	0	4,070,825	0	4,070,825	0	4,070,825	0
0327P03 Technology/Manufacturing Extn	1,225,524	0	257,182	0	0	0	257,182	0	257,182	0	257,182	0	257,182	0
Total	2,636,975	15	5,259,825	15	4,600,044	15	6,999,056	15	6,953,582	15	7,001,120	15	6,975,969	15

Funding Sources			%		%			%		%		%		%
Fund Balance	4000005	1,952,021	42.2	1,987,166	27.9		1,850,855	25.2	1,850,855	25.3	1,850,855	25.2	1,850,855	25.3
General Revenue	4000010	1,213,900	26.3	1,244,704	17.5		1,292,818	17.6	1,292,818	17.7	1,310,778	17.8	1,310,778	17.9
Federal Revenue	4000020	1,195,389	25.9	1,124,013	15.8		1,769,442	24.1	1,744,291	23.9	1,773,869	24.1	1,748,718	23.9
Cash Fund	4000045	262,831	5.6	2,280,162	32.1		2,436,796	33.1	2,416,473	33.1	2,416,473	32.9	2,416,473	32.9
Merit Adjustment Fund	4000055	0	0.0	24,635	0.3		0	0.0	0	0.0	0	0.0	0	0.0
Third Party Reimbursement	4000490	0	0.0	450,000	6.4		0	0.0	0	0.0	0	0.0	0	0.0
Total Funds		4,624,141	100.0	7,110,680	100.0		7,349,911	100.0	7,304,437	100.0	7,351,975	100.0	7,326,824	100.0
Excess Appropriation/(Funding)		(1,987,166)		(1,850,855)			(350,855)		(350,855)		(350,855)		(350,855)	
Grand Total		2,636,975		5,259,825			6,999,056		6,953,582		7,001,120		6,975,969	

The Agency requests \$1,500,000 of unfunded appropriation for FY06 and FY07 for Grants and Aid. This is the fund balance difference from FY06 to FY07.

## **Analysis of Budget Request**

**Appropriation / Program:** 0327P01 - Management Services

**Funding Sources:** HUA - Miscellaneous Agencies Fund; FDE - Federal

The Arkansas Science and Technology Authority was created to develop and promote Arkansas' technological resources and to encourage the use of advanced technology in the State's business and agricultural communities. The Authority offers a variety of programs emphasizing three areas: project financing, company financing, and technology extension/development.

The Authority has three program areas: Management Services, Research, and Technology and Manufacturing.

The Management Services Program provides the framework for governance of the Authority and administration of its programs and services.

The Authority's Fiscal Year 2004 Progress report for this program has 5 performance measures, of which 3 are defined as key measures. Of these three measures, one was met. The 2 targets not met are listed below:

<u>Measure</u>	<u>Target</u>	<u>Actual</u>
Percent of performance targets met	100%	53%
Percent of staff and budget compared to total agency	25%	32%

The Management Services Program is funded by General Revenue and Federal funds. The Base Level for this program is \$2,461,141 for FY06 and \$2,483,528 for FY07. Base Level for this program includes graduated salary increases of 3% to 1.5% each year over FY05 salary levels, along with related Personal Services Matching costs for 15 Base Level positions. This includes a \$600 minimum increase for employees earning \$20,000 or below. Included in Personal Services Matching is a \$40 increase in the monthly contribution for State employee's health insurance for a total State match of \$320 per month.

The Authority requests an increase of \$189,585 for each year for the federally funded Manufacturing Extension Network Program. The items budgeted are Operating Expenses, Travel-Conference Fees, Professional Fees and Services, Grants and Aid, and Capital Outlay.

The Executive Recommendation provides for the increase of \$189,585 each year for Grants and Aid only. Additionally, the Executive Recommendation lowers Base Level Travel-Conference Fees by \$25,151.

## **Appropriation / Program Summary**

**Appropriation / Program:** 0327P01 Management Services

**Funding Sources:** HUA - Miscellaneous Agencies Fund; FDE - Federal

Program Description	Program Goals	
The Management Services Program establishes the quality framework for governance of the Authority and administration of its programs and services.	1	To become a more effective and efficient organization through the application of quality management.

Objective Code	Name	Description
00DJ	Objective 1	To administer programs more effectively and efficiently.

### **Performance Measures**

Objective	Key Measures		Type	Description	2004 Target Authorized / Actual	2006 Target	2007 Target
	Exec	Leg					
1	X	X	Outcome	Percent of performance targets met	100%/53%	100%	100%
1	X	X	Efficiency	Percent of agency budget in the Management Services Program compared to total agency budget	25%/32%	100% / 25~	100% / 25%
1			Effort	Information technology budget as a percent of total budget	3%/1.80%	3.5%	3.5%
1			Effort	Number of proprietary information systems maintained by agency staff or maintained through contractual services	1/1	1	1
1	X	X	Outcome	Number of prior year audit findings repeated in subsequent audit	0/0	0	0
1			Outcome	Number of days to enter all year-end closing entries into AASIS required for CAFR Report.		63 days	63 days
1			Outcome	Number of security and privacy policies promulgated by the State Executive Chief Information Officer implemented in required timeframe.		4	4

## Appropriation / Program Summary

Appropriation / Program: 0327P01 Management Services  
**Authorized Program Amount 2,412,693**

Historical Data				Agency Request and Executive Recommendation					
Commitment Item		2003-2004	2004-2005	2005-2006			2006-2007		
		Actual	Budget	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	629,478	648,680	667,110	667,110	667,110	685,956	685,956	685,956
#Positions		15	15	15	15	15	15	15	15
Extra Help	5010001	1,800	12,000	12,000	12,000	12,000	12,000	12,000	12,000
#Extra Help		1	1	2	2	2	2	2	2
Personal Services Matching	5010003	160,845	173,050	183,943	183,943	183,943	187,484	187,484	187,484
Operating Expenses	5020002	191,294	268,660	268,660	288,134	268,660	268,660	288,134	268,660
Travel-Conference Fees	5050009	35,210	65,151	65,151	67,823	40,000	65,151	67,823	40,000
Professional Fees and Services	5060010	7,374	66,800	66,800	91,800	66,800	66,800	91,800	66,800
Grants and Aid	5100004	0	200,000	1,197,477	1,329,916	1,387,062	1,197,477	1,329,916	1,387,062
Capital Outlay	5120011	3,612	0	0	10,000	0	0	10,000	0
Technology Development	5900046	0	999,478	0	0	0	0	0	0
Total		1,029,613	2,433,819	2,461,141	2,650,726	2,625,575	2,483,528	2,673,113	2,647,962

Funding Sources									
General Revenue	4000010	800,721	835,171	881,284	881,284	881,284	899,244	899,244	899,244
Federal Revenue	4000020	228,892	1,124,013	1,579,857	1,769,442	1,744,291	1,584,284	1,773,869	1,748,718
Merit Adjustment Fund	4000055	0	24,635	0	0	0	0	0	0
Third Party Reimbursement	4000490	0	450,000	0	0	0	0	0	0
Total Funding		1,029,613	2,433,819	2,461,141	2,650,726	2,625,575	2,483,528	2,673,113	2,647,962
Excess Appro/(Funding)		0	0	0	0	0	0	0	0
Grand Total		1,029,613	2,433,819	2,461,141	2,650,726	2,625,575	2,483,528	2,673,113	2,647,962

## Objective Summary

**Objective:** 00DJ Management Services-Objective 1-Treasury

**Description:** To administer programs more effectively and efficiently.

		Historical Data		Agency Request and Executive Recommendation					
Commitment Item		2003-2004	2004-2005	2005-2006			2006-2007		
		Actual	Budget	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	629,478	648,680	667,110	667,110	667,110	685,956	685,956	685,956
<b>#Positions</b>		<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>
Extra Help	5010001	1,800	12,000	12,000	12,000	12,000	12,000	12,000	12,000
<b>#Extra Help</b>		<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
Personal Services Matching	5010003	160,845	173,050	183,943	183,943	183,943	187,484	187,484	187,484
Operating Expenses	5020002	191,294	268,660	268,660	288,134	268,660	268,660	288,134	268,660
Travel-Conference Fees	5050009	35,210	65,151	65,151	67,823	40,000	65,151	67,823	40,000
Professional Fees and Services	5060010	7,374	66,800	66,800	91,800	66,800	66,800	91,800	66,800
Grants and Aid	5100004	0	200,000	1,197,477	1,329,916	1,387,062	1,197,477	1,329,916	1,387,062
Capital Outlay	5120011	3,612	0	0	10,000	0	0	10,000	0
Technology Development	5900046	0	999,478	0	0	0	0	0	0
Objective Total		1,029,613	2,433,819	2,461,141	2,650,726	2,625,575	2,483,528	2,673,113	2,647,962

## **Analysis of Budget Request**

**Appropriation / Program:** 0327P02 - Research/Commercialization

**Funding Sources:** HUA - Miscellaneous Agencies Fund; Other Funds

The Research and Commercialization Program supports strategic State investments, including Research & Development tax credits, college and university research and educational activities, new product development and commercialization of new technology. This program is funded by General Revenue and cash funds.

The Authority's Fiscal Year 2004 Progress Report for this program has six measures, 4 under Objective 1 which is "To increase innovations by increasing federal research and development expenditures". The two other measures are under Objective 2 which is "To increase knowledge worker jobs through entrepreneurship and new company formation". Of these six measures, only 1 is a key measure. The target was not met. It is listed below:

<u>Measure</u>	<u>Target</u>	<u>Actual</u>
Number of companies and new enterprises enabled	14	5

The Authority indicates the number of companies and new enterprises enabled is lower because the appropriation level was about one-third of the requested amount.

The number of performance measures has decreased from 6 to 4 in the Strategic Plan for the period 2005 - 2009. This was accomplished by replacing the 6 measures with 3 new measures and disposing of 2 measures. All 4 measures are defined as key measures.

Base Level for the Research and Commercialization Program is \$2,189,352 for each year of the new biennium. The Authority requests increases of \$401,796 for FY06 and \$381,473 for FY07 for Operating Expenses and Grants and Aid. The Authority has also requested unfunded appropriation of \$1.5 million for each year for Grants and Aid.

The Executive Recommendation provides for an increase of \$381,743 for FY06 and FY07, the increases are for Operating Expenses and Grants and Aid. The Executive recommendation provides for the unfunded appropriation each year for Grants and Aid.



## Appropriation / Program Summary

**Appropriation / Program:** 0327P02

Research and Commercialization Program

**Funding Sources:** HUA - Miscellaneous Agencies Fund; Other Funds

Program Description	Program Goals	
The Research and Commercialization Program supports strategic state investments, including R&D tax credits, in college and university research and educational activities, development of new products, and the commercialization of new technology.	1	To increase research activities in Arkansas.
	2	To develop new products and firms.

Objective Code	Name	Description
05DJ	Objective 1	To increase externally funded research activities.
06DJ	Objective 1	To increase knowledge worker jobs through entrepreneurship and new company formation.
DJ06	Objective 1	To increase knowledge worker jobs through entrepreneurship and new company formation.

### Performance Measures

Objective	Key Measures		Type	Description	2004 Target Authorized / Actual	2006 Target	2007 Target
	Exec	Leg					
1	X	X	Output	Number of projects and initiatives.		22	24
1	X	X	Outcome	Federal R&D funding at colleges and universities		\$76 million	\$84 million
1	X	X	Output	Number of companies and new enterprises enabled	14/5	8	8
1	X	X	Outcome	Amount of venture capital funds invested in Arkansas companies		\$18 million	\$19 million
1			Output	Size of basic research grant annual investment [at \$40,000 per project]	\$800,000/\$0	NA	NA
1			Efficiency	Five-year rate of return of federal follow-on awards as a ratio to basic research investments by fiscal year	2X/1.54X	NA	NA
1			Output	Size of research matching and strategic research annual investment	\$2,000,000/\$0	NA	NA
1			Output	Federal funds leveraged by ARMF and R&D Plan implementation divided by total federal R&D funds in AR	1:01/\$0	NA	NA
1			Output	Seed Capital Invested in terms of number of dollars invested	\$1.1 million in 3 deals/\$0 in 0 deals	NA	NA

## Appropriation / Program Summary

Appropriation / Program: 0327P02 Research/Commercialization  
**Authorized Program Amount 2,187,351**

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		2003-2004	2004-2005	2005-2006			2006-2007		
		Actual	Budget	Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	0	20,000	0	40,323	20,000	0	20,000	20,000
Grants and Aid	5100004	381,823	496,473	289,352	2,150,825	2,150,825	289,352	2,150,825	2,150,825
Investments	5120013	15	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Technology Development	5900046	0	152,351	0	0	0	0	0	0
Total		381,838	2,568,824	2,189,352	4,091,148	4,070,825	2,189,352	4,070,825	4,070,825

Funding Sources									
Fund Balance	4000005	1,952,021	1,987,166	1,850,855	1,850,855	1,850,855	1,850,855	1,850,855	1,850,855
General Revenue	4000010	154,152	152,351	154,352	154,352	154,352	154,352	154,352	154,352
Cash Fund	4000045	262,831	2,280,162	2,035,000	2,436,796	2,416,473	2,035,000	2,416,473	2,416,473
Total Funding		2,369,004	4,419,679	4,040,207	4,442,003	4,421,680	4,040,207	4,421,680	4,421,680
Excess Appro/(Funding)		(1,987,166)	(1,850,855)	(1,850,855)	(350,855)	(350,855)	(1,850,855)	(350,855)	(350,855)
Grand Total		381,838	2,568,824	2,189,352	4,091,148	4,070,825	2,189,352	4,070,825	4,070,825

The Agency requests \$1,500,000 of unfunded appropriation for FY06 and FY07 for Grants and Aid. This is the fund balance difference from FY06 to FY07. Special language provides for appropriation and funds carry forward for making grants under the Basic and Applied Research Grants Program, limited to ten (10%) of the amount appropriated and funded; the amount of carry forward into FY05 was \$0.

## **Objective Summary**

**Objective:** 05DJ Research/Commercialization-Goal 1-Objective 1-Treasury

**Description:** To increase externally funded research activities.

		<b>Historical Data</b>		<b>Agency Request and Executive Recommendation</b>					
<b>Commitment Item</b>		<b>2003-2004</b>	<b>2004-2005</b>	<b>2005-2006</b>			<b>2006-2007</b>		
		<b>Actual</b>	<b>Budget</b>	<b>Base Level</b>	<b>Agency</b>	<b>Executive</b>	<b>Base Level</b>	<b>Agency</b>	<b>Executive</b>
Operating Expenses	5020002	0	0	0	20,323	0	0	0	0
Grants and Aid	5100004	191,525	135,000	135,000	1,635,000	1,635,000	135,000	1,635,000	1,635,000
Objective Total		191,525	135,000	135,000	1,655,323	1,635,000	135,000	1,635,000	1,635,000

## **Objective Summary**

**Objective:** 06DJ Research/Commercialization-Goal 2-Objective 1-Treasury

**Description:** To increase knowledge worker jobs through entrepreneurship and new company formation.

		<b>Historical Data</b>		<b>Agency Request and Executive Recommendation</b>					
		<b>2003-2004</b>	<b>2004-2005</b>	<b>2005-2006</b>			<b>2006-2007</b>		
<b>Commitment Item</b>		<b>Actual</b>	<b>Budget</b>	<b>Base Level</b>	<b>Agency</b>	<b>Executive</b>	<b>Base Level</b>	<b>Agency</b>	<b>Executive</b>
Operating Expenses	5020002	0	20,000	0	20,000	20,000	0	20,000	20,000
Grants and Aid	5100004	190,298	361,473	154,352	515,825	515,825	154,352	515,825	515,825
Technology Development	5900046	0	152,351	0	0	0	0	0	0
Objective Total		190,298	533,824	154,352	535,825	535,825	154,352	535,825	535,825

## **Objective Summary**

**Objective:** DJ06 Research/Commercialization-Goal 2-Objective 1-Cash

**Description:** To increase knowledge worker jobs through entrepreneurship and new company formation.

Commitment Item	Historical Data		Agency Request and Executive Recommendation					
	2003-2004	2004-2005	2005-2006			2006-2007		
	Actual	Budget	Base Level	Agency	Executive	Base Level	Agency	Executive
Investments 5120013	15	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Objective Total	15	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000

## **Analysis of Budget Request**

**Appropriation / Program:** 0327P03 - Technology/Manufacturing Extn

**Funding Sources:** HUA - Miscellaneous Agencies Fund

The Technology and Manufacturing Extension Program plans strategic state investments in, evaluates proposals and applications for, and supports Manufacturing Extension, Technology Transfer, and Applied Research. The Technology and Manufacturing Program is funded by General Revenue.

The Authority's Fiscal Year 2004 Progress Report for this program has 7 performance measures, of which 3 were met. The 4 targets not met are listed below:

<u>Measure</u>	<u>Target</u>	<u>Actual</u>
Applied research investment in public-private partnerships	\$500,000	\$0
Technology Transfer investments	\$427,000	\$105,515
Manufacturing Extension Investments	\$700,000	\$259,027
Number of enterprises assisted per quarter	63	62.25

The Authority indicates that the "Applied research investment in public-private partnerships" is zero because appropriation was not provided; and "Technology Transfer investments" and "Manufacturing Extension Investments" is due to reduced level of funding.

The number of performance measures has decreased from 7 to 3 in the Strategic Plan for the period 2005 - 2009. This was accomplished by replacing two measures and having four measures be reported as supplemental data in the Interim Progress Reports. All three measures are defined as key measures.

Base Level is \$257,182 for each year of the biennium. The Agency Requests Base Level.

Executive Recommendation provides for Agency Request.

## Appropriation / Program Summary

**Appropriation / Program:** 0327P03 Technology and Manufacturing Extension Program

**Funding Sources:** HUA - Miscellaneous Agencies Fund

Program Description	Program Goals	
The Technology and Manufacturing Extension Program plans strategic state investments in, evaluates proposals and applications for, and supports Manufacturing Extension, Technology Transfer, and Applied Research.	1	To maintain and transform existing enterprises into knowledge-based companies and increase their global competitiveness.

Objective Code	Name	Description
15DJ	Objective 1	To increase technology and training in existing Arkansas companies.

### Performance Measures

Objective	Key Measures		Type	Description	2004 Target Authorized / Actual	2006 Target	2007 Target
	Exec	Leg					
1	X	X	Outcome	Number of jobs created or retained	370/380	450	470
1	X	X	Output	Number of enterprises assisted per year		295	301
1	X	X	Outcome	Percent of State Payroll in High-technology NAICS Codes		9.2%	9.3%
1			Output	Applied research investment in public-private partnerships	\$500,000/\$0	NA	NA
1			Output	Technology Transfer investments	\$427,000/\$105,515	NA	NA
1			Output	Manufacturing Extension investments	\$700,000/\$259,027	NA	NA
1			Efficiency	Manufacturing Extension State Investment Leverage Ratio (Non-State Funding/State Funding)	1.4/5.48	NA	NA
1			Outcome	Number of clients reporting quantitative impact more than \$100 (based on survey responses); i.e., the number of clients quantifying the expected impact of the project	21/28	NA	NA
1			Outcome	Number of enterprises assisted per quarter	63/62.25	NA	NA

## **Appropriation / Program Summary**

**Appropriation / Program:** 0327P03 Technology/Manufacturing Extn

**Authorized Program Amount** 0

Historical Data				Agency Request and Executive Recommendation					
Commitment Item		2003-2004	2004-2005	2005-2006			2006-2007		
		Actual	Budget	Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	27,505	0	0	0	0	0	0	0
Professional Fees and Services	5060010	32,250	0	0	0	0	0	0	0
Grants and Aid	5100004	1,165,769	0	257,182	257,182	257,182	257,182	257,182	257,182
Manufacturing Ext. Network	5900046	0	257,182	0	0	0	0	0	0
Total		1,225,524	257,182	257,182	257,182	257,182	257,182	257,182	257,182

Funding Sources									
General Revenue	4000010	259,027	257,182	257,182	257,182	257,182	257,182	257,182	257,182
Federal Revenue	4000020	966,497	0	0	0	0	0	0	0
Total Funding		1,225,524	257,182	257,182	257,182	257,182	257,182	257,182	257,182
Excess Appro/(Funding)		0	0	0	0	0	0	0	0
Grand Total		1,225,524	257,182	257,182	257,182	257,182	257,182	257,182	257,182



## **Objective Summary**

**Objective:** 15DJ Technology/Manufacturing Extn-Objective 1-Treasury

**Description:** To increase technology and training in existing Arkansas companies.

		<b>Historical Data</b>		<b>Agency Request and Executive Recommendation</b>					
		<b>2003-2004</b>	<b>2004-2005</b>	<b>2005-2006</b>			<b>2006-2007</b>		
<b>Commitment Item</b>		<b>Actual</b>	<b>Budget</b>	<b>Base Level</b>	<b>Agency</b>	<b>Executive</b>	<b>Base Level</b>	<b>Agency</b>	<b>Executive</b>
Operating Expenses	5020002	27,505	0	0	0	0	0	0	0
Professional Fees and Services	5060010	32,250	0	0	0	0	0	0	0
Grants and Aid	5100004	1,165,769	0	257,182	257,182	257,182	257,182	257,182	257,182
Manufacturing Ext. Network	5900046	0	257,182	0	0	0	0	0	0
Objective Total		1,225,524	257,182	257,182	257,182	257,182	257,182	257,182	257,182